

Message Text

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TAGS: EIND, EEWT, UR, US

SUBJ: SOVIET PLANS FOR FERRO-ALLOY PRODUCTION, 1976-80

1. DURING MEETING AT STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY DECEMBER 4, S.A. GLEBOV OF SCST'S FOREIGN RELATIONS DEPARTMENT ADVISED COMMATT THAT SOVIETS DEFINITELY PLANNED PHASE OUT ALL EXPORTS OF CHROME ORE DURING 1976-80 FIVE-YEAR PLAN PERIOD. AT SOME POINT DURING NEXT FIVE-YEAR PLAN, SOVIETS PLAN BRING ON STREAM NEW FERRO-CHROMIUM PRODUCTION FACILITIES WHICH WILL USE UP ALL AVAILABLE SUPPLIES OF CHROME ORE. GLEBOV CONFIRMED THAT SOVIETS HOPE TO REACH AGREEMENT WITH U.S. PRODUCERS ON SO-CALLED "COMPENSATION AGREEMENTS" INVOLVING CONSTRUCTION OF FERRO-ALLOY PLANTS WITH REPAYMENT IN PRODUCTION. COMMOFF UNDERSTANDS THAT SENIOR DELEGATION FROM UNION CARBIDE'S FERRO-ALLOY DIVISION WAS IN MOSCOW DURING WEEK OF DECEMBER 2 FOR TALKS ON SUCH A PROJECT. GLEBOV ALSO ADVISED THAT SOVIETS WERE NEGOTIATING WITH SEVERAL WESTERN EUROPEAN FIRMS AS WELL AS JAPANESE ON SIMILAR PROJECTS.

2. COMMENT: SOVIET PLAN TO PHASE OUT CHROME ORE EXPORTS MAKES SENSE FROM ECONOMIC POINT OF VIEW, ASSUMING THAT ELECTRIC POWER IS AVAILABLE IN USSR TO CONVERT CHROME ORE TO FERRO-CHROMIUM

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ECONOMICALLY, WHICH EMBASSY BELIEVES IS THE CASE. AT SAME TIME,

HOWEVER, IF SOVIETS ARE SUCCESSFUL IN BRINGING NEW FERRO-CHROMIUM FACILITIES ON STREAM DURING NEXT FIVE-YEAR PLAN PERIOD THIS COULD SPELL DIFFICULTIES FOR U.S. PRODUCERS OF FERRO-CHROMIUM, WHOSE SUPPLIES OF CHROME ORE HAVE BEEN COMPLICATED BY RHODESIAN PROBLEM. RISING COST OF ELECTRIC POWER IN U.S. MAY MAKE CONTINUING PRODUCTION OF FERRO-ALLOYS DOUBTFUL FROM ECONOMIC POINT OF VIEW. EMBASSY UNDERSTANDS THAT FERRO-ALLOY INDUSTRY, WHOSE ANNUAL TURNOVER IS VALUED AT ABOUT 2 BILLION DOLLARS, USES ONE PERCENT OF TOTAL U.S. ELECTRIC POWER OUTPUT. CONSEQUENTLY, SOVIET DESIRE TO PHASE OUT EXPORTS OF CHROME ORE AND INCREASING COST OF ELECTRIC POWER IN U.S. MAY, IN FACT, COINCIDE RATHER NICELY, AT LEAST FOR MAJOR PRODUCERS SUCH AS UNION CARBIDE. STOESSEL

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